

Message Text

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21

ACTION NEA-10

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DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01 EB-07

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FM AMEMBASSY KATHMANDU

TO SECSTATE WASHDC 3827

INFO AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: PGO F PINT NP

SUBJECT: CHANGE IN COUNCIL OF MINISTERS

1. IN A SURPRISE ANNOUNCEMENT DECEMBER 26 PALACE NAMED DR. HARKA BAHADUR GURUNG MINISTER OF STATE FOR COMMERCE AND INDUSTRY TO REPLACE RAM PRASAD RAJBHAK. IN ADDITION, GURUNG WILL TAKE OVER PORTFOLIO FOR EDUCATION UNTIL NOW HELD BY MINISTER OF LAW AND JUSTICE JOG MEHAR SHRESTHA.

2. COMMENT: GIVEN THE SUDDENNESS WITH WHICH DR. RAJBHAK HAS BEEN DISMISSED, ONLY THREE WEEKS AFTER HIS PROMOTION TO STATE MINISTER, KATHMANDU IS INEVITABLY ABUZZ WITH RUMORS. ALMOST ALL NEPALESE WITH WHOM WE HAVE TALKED AGREE THAT THE PRINCIPAL CAUSE OF THE MINISTER'S REMOVAL IS A RECENT DECISION BY HIS MINISTRY IN LICENSING A VEGETABLE OIL FACTORY. APPARENTLY TWO MAJOR BIDS WERE RECEIVED, AND THE MINISTRY AWARDED THE CONTRACT NOT TO THE LOWEST BIDDER, WHO HAPPENED TO BE THE KING'S BROTHER-IN-LAW, RAJA DIPAK JUNG BAHADUR SINGH, BUT TO AN ALTERNATE GROUP ON GROUNDS OF EQUIPMENT QUALITY AND MAINTENANCE AND SPARE PARTS SUPPLY. SUPPORTERS OF THE GIRI GOVERNMENT ASSERT THAT RAJBHAK'S REMOVAL IS EVIDENCE OF THE NEW GOVERNMENT'S DETERMINATION TO MOVE AGAINST CORRUPTION WHEREVER IT MAY BE FOUND. THEY

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ALLEGED THAT THE INDUSTRIES MINISTRY AND THE NATIONAL BANJIA

BANK, WHICH WAS TO FINANCE THE DEAL AND WHOSE GENERAL MANAGER HAS ALSO BEEN FORCED TO RESIGN, WERE INVOLVED IN ACCEPTING KICKBACKS AND UNDER-THE-COUNTER PAYMENTS. THEY DO NOT ASSERT THAT DR. RAJBAHAK HIMSELF WAS GUILTY OF CORRUPTION.

3. A MORE WIDELY HELD VIEW IS THAT FAR FROM BEING EVIDENCE OF DR. GIRI'S ANTI-CORRUPTION DRIVE, DR. RAJBAHAK'S REMOVAL INDICATES THE DEGREE TO WHICH THE GIRI GOVERNMENT IS SUSCEPTIBLE TO PALACE PRESSURE. RAJBAHAK IS SEEN AS A SCAPE-GOAT FOR HIS MINISTRY'S FAILURE TO BOW TO PALACE PRESSURE IN THIS HIGHLY LUCRATIVE INDUSTRIAL INVESTMENT.

4. THERE MAY BE ELEMENTS OF TRUTH IN BOTH VERSIONS. THE PALACE WAS UNDOUBTEDLY UNHAPPY AT LOSING THE CONTRACT, PARTICULARLY WHEN DIPAK SINGH'S BID WAS THE LOWEST. THERE MAY ALSO HAVE BEEN UNDER-THE-COUNTER PAYMENTS AT VARIOUS POINTS ALONG THE LINE IN THE DECISION-MAKING PROCESS.

5. FROM DR. GIRI'S PERSPECTIVE THE CHANGE OF MINISTERS HAS SOME ADDITIONAL BENEFIT. IT ENABLES HIM TO BRING INTO THE MINISTRY A HIGHLY COMPETENT AND RESPECTED TECHNOCRAT WHO IS ALSO THE MOST SENIOR GURANG IN GOVERNMENT SERVICE. HILL TRIBES HAVE TRADITIONALLY BEEN UNDERREPRESENTED IN THE CABINET AND THEIR GRIEVANCES HAVE BEEN AMONG THE MAJOR LIABILITIES OF RECENT KATHMANDU GOVERNMENTS. DR. GIRI HAS A REPUTATION FOR BEING A TOUGH AND ABLE NEGOTIATOR AND THE INDIAN PRESS HAS BEEN QUICK TO CHARACTERIZE HIM AS A "HARD-LINER." ALTHOUGH LESS DIRECTLY KNOWLEDGEABLE ABOUT TRADE AND TRANSIT PROBLEMS THAN HIS PREDECESSOR, DR. GIRI CAN BE EXPECTED TO BE AN ARTICULATE AND TOUGH NEGOTIATOR WHEN THE TRADE AND TRANSIT TREATY COMES UP FOR RENEWAL NEXT YEAR. HIS APPOINTMENT MAY ALSO DIMINISH THE IMPRESSION THAT HAD BEEN CREATED IN THE EARLY WEEKS OF THE NEW GOVERNMENT THAT DR. GIRI WAS PREPARED TO GO TO ALMOST ANY LENGTH TO PLACATE THE INDIANS.

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